

Message Text

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PAGE 01 KINSHA 04730 121417Z
ACTION AF-10

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
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FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC PRIORITY 9650

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E.O. 11652: N/A
TAGS: EAIR, EFIN, CG, US
SUBJECT: PAN AM SERVICE TO ZAIRE

REF: STATE 108922

1. MAY 11 PAN AM REP GAVE AMBASSADOR COPY FOLLOWING LETTER FROM
PAN AM BOARD CHAIRMAN SEAWELL TO MINISTER TRANSPORTATION
MUSHOBEKWA:

2. QUOTE: PAN AMERICAN WORLD AIRWAYS, INC. (PAN AM) HAS
RECENTLY UNDERTAKEN A DETAILED ECONOMIC ANALYSIS OF ITS AFRICA
SERVICE IN ANTICIPATION OF THE EXPANSION OF WIDE-BODIED B-747
SERVICE IN THAT CONTINENT DURING THE FOURTH QUARTER OF 1978.
--AS YOU KNOW, PAN AM PRESENTLY OPERATES A TWICE WEEKLY B-707
TRANSATLANTIC SERVICE BETWEEN KINSHASA AND NEW YORK VIA VARIOUS
WEST AFRICAN POINTS, AS WELL AS TWICE WEEKLY NONSTOP SERVICE
BETWEEN KINSHASA AND NAIROBI. THIS SERVICE IS SUPPLEMENTED BY
A WEEKLY B-707 ALL-CARGO FLIGHT.
--IN LOOKING AT THE PROSPECTS FOR B-747 SERVICE AT KINSHASA WE
HAVE CONSIDERED THE TRAFFIC AND REVENUES EXPECTED FROM THE MORE
ATTRACTIVE WIDE-BODIED EQUIPMENT AND ESTIMATED OUR OPERATING AND
OVERHEAD EXPENSES. IN ADDITION, WE HAVE CALCULATED THE ECONOMIC
COST ASSOCIATED WITH THE TIME IT TAKES TO CONVERT NET SALES
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PROCEEDS IN LOCAL CURRENCY (ZAIRES) TO U.S. DOLLARS AND TO REMIT
THEM TO THE UNITED STATES. AS YOU KNOW, OUR RECENT EXPERIENCE
IN WITHDRAWING OUR FUNDS HAS BEEN VERY DISAPPOINTING, AND AS OF
APRIL 21, 1978, WE HAD AN UNREMITTED BACKLOG OF APPROXIMATELY
\$3.1 MILLION.
--I REGRET TO SAY THAT ONCE THE ECONOMIC COST OF THE DELAY IN
CONVERTING LOCAL NET SALES PROCEEDS, BASED ON CURRENT AND

RECENT EXPERIENCE, WAS ADDED TO OUR OTHER EXPENSES, THE B-747 ANALYSIS WAS DISAPPOINTING. BASED ON THIS EXPERIENCE, CONTINUATION OF PAN AM SERVICE TO THE REPUBLIC OF ZAIRE IS NOT ECONOMICALLY JUSTIFIED.

--PAN AM HAS BEEN PRIVILEGED TO SERVE THE REPUBLIC OF ZAIRE FOR A NUMBER OF YEARS AND WOULD BE MOST RELUCTANT TO WITHDRAW ITS SERVICE. NEVERTHELESS, FOR THE ECONOMIC REASONS CITED ABOVE, WE ARE NOW PLANNING TO SUSPEND ALL SERVICE TO KINSHASA IN THE FOURTH QUARTER OF THIS YEAR. SHOULD YOUR GOVERNMENT FEEL ABLE TO CLEAR UP THE PRESENT BACKLOG OF AIRLINE REMITTANCES (AND TECHNICAL ASSISTANCE PROGRAM RECEIVABLES), AND GIVE US ADEQUATE ASSURANCE THAT WE WILL BE ABLE TO CONVERT AND REMIT LOCAL NET SALES PROCEEDS ON A CONTINUING CURRENT BASIS, WE SHALL BE GLAD TO RECONSIDER OUR ACTION--ALTHOUGH, BECAUSE OF THE LEAD-TIME REQUIRED FOR SCHEDULE PLANNING, WE DO NOT HAVE LONG TO DO SO. --PAN AM IS AWARE OF THE DIFFICULT ECONOMIC SITUATION WHICH THE REPUBLIC OF ZAIRE HAS FACED AND THE STEPS IT HAS TAKEN TO RECTIFY ITS DIFFICULTIES. OUR ACTION IN NO WAY IMPLIES THAT PAN AM DOES NOT BELIEVE THAT ZAIRE HAS GREAT POTENTIAL. WE FULLY EXPECT ZAIRE WILL BE ABLE TO PROVIDE THE FOREIGN EXCHANGE TO COVER PAN AM'S LOCAL CURRENCY DEPOSITS--AND OTHER OBLIGATIONS DUE THE COMPANY. UNFORTUNATELY, HOWEVER, OUR OWN FINANCIAL SITUATION, ALTHOUGH SOMEWHAT IMPROVED, DOES NOT ENABLE US TO OPERATE UNPROVITABLE SERVICES.

--WE LOOK FORWARD TO HEARING FROM YOU AT AN EARLY DATE. END QUOTE.

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3. PAN AM REP EXPECTS TO GIVE ABOVE LETTER TO MUSHOBKWA WITHIN NEXT SEVERAL DAYS. AT SUCH TIME HE INTENDS TO SAY THAT ARREAR-AGE PROBLEMS MUST BE RESOLVED WITHIN THIRTY DAYS IN ORDER TO PREVENT TERMINATION OF SERVICE TO KINSHASA.

4. IN ACCORDANCE WITH REFTTEL, WE DO NOT INTEND TO MAKE REPRESENTATION ON PAN AM'S BEHALF UNLESS INSTRUCTED BY DEPT AND/OR SPECIFICALLY REQUESTED BY PAN AM.

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